

## CLIENT ALERT

### Brand Protection on the Internet: Ninth Circuit Decision Reconsiders Doctrine of Initial Interest Confusion

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In February 2013, luxury watch maker Multi-Time Machine, Inc. (MTM) sued Amazon.com, Inc. (Amazon) for trademark infringement relating to its use of the trademarked term "MTM Special Ops" in Amazon's search page results. The district court granted summary judgment to Amazon in July 2013, holding that MTM could not establish a likelihood of confusion, in part because the search results for individual products displayed their actual brand names. The Ninth Circuit, however, reversed and remanded, stating that there were genuine issues of fact that remained for decision by the jury. The decision led to a colorful dissent relating to trademark use on the Internet and outrage among some commentators who believe that the decision will hamstring e-commerce.

#### Ninth Circuit Found That Amazon's Display Of Search Results Left Factual Questions As To Confusion

MTM does not sell "Special Ops" watches through Amazon's website. A consumer who searches for "MTM Special Ops" on [www.amazon.com](http://www.amazon.com), however, would see a search results page showing: (1) MTM Special Ops in the search field; (2) "MTM Specials Ops" in quotation marks immediately below the search field; and (3) the same mark yet again in the phrase "Related Searches: *MTM special ops watch*," all before seeing a results page that depicts competing brands of watches that are similar to MTM's watches. What a consumer will not see, however, is a disclosure in the search results that Amazon does not carry MTM products.

MTM argued that Amazon's conduct had resulted in a likelihood of confusion based on Amazon's failure to disclose the absence of a relationship between the brands it actually sells and the MTM brand. The Court described this harm as occurring, not at the time of purchase, but earlier in the shopping process by creating an "initial interest" in a competitor's product. This is known as "initial interest confusion."

The opinion drew heavily from the Court's 2011 decision in *Network Automation, Inc. v. Advanced System Concepts, Inc.*, the Ninth Circuit's last significant foray into initial interest confusion and trademark use on the Internet. See 638 F.3d 1137 (9th Cir. 2011). In *Network Automation*, the Court addressed the unauthorized use of a trademark as an advertising keyword on a search engine. In that decision, the Ninth Circuit focused its analysis on how the search results appeared on the results page generated by a search incorporating the trademarked keyword. Because organic results were visually separated from paid results, the context should have dispelled any confusion. As the Court stated, the "labeling and appearance of the advertisements as they appear on the result page includes more than the text of the advertisement, and must be considered as a whole." See *Network Automation*, 638 F.3d at 1154. Applying the same analysis, the Court in the Amazon case indicated that the failure of Amazon to disclose affirmatively that it did not carry MTM products might cause consumers to be confused about the relationship between MTM and the brands actually sold by Amazon. In other words, when the Amazon results page was considered in context, there was a possibility of confusion, unlike the result page at issue in the *Network Automation* case.

The Court then analyzed whether there was a likelihood of confusion using five of the eight *Sleekcraft* factors it deemed to be "relevant": (1) the strength of the mark; (2) the relatedness/proximity of the goods; (3) any evidence of actual confusion; (4) the defendant's intent; and (5) the degree of care exercised by purchasers. See *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979).

With respect to the first factor, the Court recognized that the MTM Special Ops mark enjoyed some conceptual strength because it does not immediately call to mind watches, but it left the assignment of the exact weight to accord to this factor to the jury. Looking to the similarity of goods factor, the Court distinguished *Network Automation*, in which the products were placed side-by-side and presented "clearly marked options" for the consumers, because those options were not available to would-be consumers of MTM's watches on Amazon. Again, however, the Court concluded that a jury must assess the similarity of goods factor because, even though a consumer's confusion may be "dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement." See *Playboy Enterprises, Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004). Analyzing the third factor, the Court noted that although MTM did not present direct evidence of actual confusion, some consumers that searched for "MTM Special Ops" then purchased a competitor's watch the same day. The Court held that a jury could find such evidence probative of confusion. With respect to the fourth factor, the Court stated that a jury could find Amazon's failure to address complaints from consumers as to how search results were generated as evidence of an intent to confuse. Finally, under the fifth factor, the Court refused to assess whether consumers would exercise a high degree of care in purchasing a watch priced between \$500 and \$2,000 or whether they were "impulse buyers" who were not particularly careful about comparing products and might in fact be confused. Again, the Court expressed the view that such decisions were best left to the jury.

As should be apparent from the foregoing, the Court strongly felt that only the jury could appropriately weigh the *Sleekcraft* factors when presented with an argument of initial interest confusion on the Internet. Judge Silverman's dissent, however, argued that no confusion could exist because Amazon's search results clearly labeled the name and manufacturer of each product offered for sale and even included photographs of the items. Thus, no reasonable jury could find confusion and summary judgment could be granted by the district court without the need for a jury trial. The dissent also argued that the *Sleekcraft* test is "not particularly apt" in the context of the Internet, where "labeling and the appearance of the page" are of primary importance. Judge Silverman further stated that, because MTM sold luxury watches, it was also fair to conclude that its customer base is "accustomed to shopping online" and would not be confused by the appearance of the search page. He believed it was unreasonable to require Amazon to disclose that it did not carry MTM Special Ops watches.

### **Where Does Initial Interest Confusion Go From Here?**

Although the more typical trademark lawsuit focuses on confusion at the moment of sale, the doctrine of initial interest confusion focuses on pre-sale confusion. In this respect, it is akin to a "bait and switch" argument. But this new decision by the Ninth Circuit does very little to clarify when the doctrine of initial interest confusion applies in the context of the Internet. It is clear, however, that the Ninth Circuit does not believe that a case alleging trademark infringement under a theory of initial interest confusion is amenable to resolution on summary judgment.

On July 22, 2015, Amazon filed with the Ninth Circuit a petition for a rehearing *en banc*, which may continue the discussion of this case in the short-term.

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